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August 2006

The Power of Green

VCs get pumped
over clean energy.

Plus:

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of Change

Silicon Valley pioneer
Vinod Khosla

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$$E\tilde{R}_i = R_f + \sum_{j=1}^m b_{ij}\lambda_j \quad i = 1, \dots, n. \quad \text{Page 138}$$



COVER STORY:

THE POWER OF GREEN

VCs Get

PUMPED

Spurred by high oil prices, the backers of the 1990s technology boom are hunting for the Google of clean energy.

PHOTOGRAPHS BY ANDY FREEBERG

**SAMPLE**

Evangelist: Venture capitalist **Vinod Khosla** is pushing ethanol.

By Edward Robinson

◆ SolFocus sounds like a typical Silicon Valley startup: Eight employees, big ideas—and zero profit. Yet in mid-May, the phones at the eight-month-old company wouldn't stop ringing.

The callers were venture capitalists, and they were dangling millions of dollars in front of the Palo Alto, California-based solar panel maker. Ty Jagerson, vice president of business development, says as soon as he'd start talking to one VC, another would call offering money. "It was completely insane," Jagerson, 35, says.

Up and down Sand Hill Road, the venture capital hub

south of San Francisco, the financiers who bankrolled the technology boom of the 1990s are chasing their next big thing: alternative forms of energy. As oil and natural gas prices climb, venture capitalists are investing hundreds of millions of dollars in young, often money-losing companies that hope to harness the power of the sun or the heat inside the Earth. They're pouring millions more into companies that cook up gasoline and diesel substitutes from corn, sugar and soybeans. In all, U.S. VC funds invested a record \$739 million in renewable energy in 2005, up 36 percent from

